

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 25, 2021

1:32 p.m.

MEMBERS PRESENT

Senator Robert Myers, Chair
Senator Mike Shower, Vice Chair
Senator Click Bishop
Senator Peter Micciche
Senator Jesse Kiehl

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 103

"An Act repealing the Alaska Marine Transportation Advisory Board; establishing the Alaska Marine Highway System Operation and Planning Board; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 105

"An Act relating to road service area consolidation."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 103

SHORT TITLE: AMHS OPERATION & PLANNING BOARD

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/10/21	(S)	READ THE FIRST TIME - REFERRALS
03/10/21	(S)	TRA
03/25/21	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 105

SHORT TITLE: ROAD SERVICE AREA CONSOLIDATION

SPONSOR(s): MYERS

03/10/21	(S)	READ THE FIRST TIME - REFERRALS
03/10/21	(S)	TRA, CRA
03/25/21	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

ANDY MILLS, Special Assistant to the Commissioner
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Presented SB 103 on behalf of the administration.

ROB CARPENTER, Deputy Commissioner of Surface Transportation
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 103 on behalf of the administration.

MICHAELLA ANDERSON, Staff
Senator Robert Myers
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, presented the sponsor statement and sectional analysis for SB 105.

MICHAEL BREDLIE, Rural Services Manager
Fairbanks North Star Borough (FNSB)
Fairbanks, Alaska

POSITION STATEMENT: Answered questions on SB 105 on behalf of the borough administration.

JILL DOLAN, Attorney
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Answered questions on SB 105 on behalf of the Fairbanks North Star Borough.

ACTION NARRATIVE

1:32:50 PM

CHAIR ROBERT MYERS called the Senate Transportation Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Kiehl, Shower, and Chair Myers. Senators Micciche and Bishop arrived as the meeting was in progress.

SB 103-AMHS OPERATION & PLANNING BOARD

1:33:25 PM

CHAIR MYERS announced the consideration of SENATE BILL NO. 103 "An Act repealing the Alaska Marine Transportation Advisory Board; establishing the Alaska Marine Highway System Operation and Planning Board; and providing for an effective date."

1:34:14 PM

ANDY MILLS, Special Assistant to the Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, stated that SB 103 would restructure the Alaska Marine Highway Advisory Board (MTAB) based on recommendations from AMHS's Reshaping Work Group. This group was formed by the governor's Administrative Order (AO) 313. The group held 29 meetings and produced an October 2020 report that made 29 recommendations to the governor, including one to restructure the board.

He explained that the Alaska Marine Highway System Operation & Planning Board (OPB) would be better suited to address AMHS issues than MTAB because it would have additional resources and information.

1:35:24 PM

SENATOR MICCICHE joined the meeting.

1:35:32 PM

MR. MILLS referred to page 14 of AMHS's Reshaping Work Group report. He read, "The current MTAB is formed of capable individuals but not structured to effectively challenge and help the Alaska Marine Highway System with the large marine operation planning and execution issues that it confronts." The work group's recommendation was to produce a board that could focus on operations and planning; one that would be well-grounded with outside advice focused on business and financial practices. This board would change member credential and reporting requirements.

1:36:33 PM

MR. MILLS paraphrased the sectional analysis for SB 103:

Section 1 - AS 19.65.011 is amended to change the name of the Alaska Marine Transportation Advisory Board (MTAB) to the Alaska Marine Highway System Operation and Planning Board. A short-term plan (for the development and improvement of the Alaska marine highway system) is also added to the department's

current statutory responsibility for development of a long-term plan.

1:37:42 PM

Section 2 - AS 19.65 is amended by adding a new subsection to establish the new Alaska Marine Highway System Operation and Planning Board in subsection 210; outline Board membership and terms in subsection 220; speak to officers and a quorum in subsection 230; stipulated meeting rules in subsection 240; address per diem and expenses in subsection 250; address record inspection/copying in subsection 260; establish the Department of Law as the Boards' legal assistance in subsection 270; document the Boards' powers, duties and functions in subsection 280; establish that the Department of Transportation & Public Facilities will provide staff support to the Board in subsection 290; and define the word 'Board' for purposes of AS 19.65 in subsection 295.

1:40:37 PM

Section 3 - repeals existing subsections 110 - 195 within chapter 65 which speak to the old MTAB.

Section 4 - adds a new section to the uncodified law of the State of Alaska to establish staggered terms for Board members and identify that former MTAB members are not prohibited from being reappointed to the new Alaska Marine Highway System Operation and Planning Board.

Section 5 - adds a new section to the uncodified law of the State of Alaska to establish a deadline of September 1, 2021, for the Board's initial reports, as required under Section 2 of the proposal, to the governor.

Section 6 - establishes an immediate effective date.

1:42:01 PM

SENATOR BISHOP joined the meeting.

1:42:07 PM

SENATOR MICCICHE stated that an ex officio member from each body previously served on MTAB. He asked whether including ex officio legislature members was considered or for a specific reason not to include them.

MR. MILLS explained that the work group did not recommend members from the legislature serve on the board. He was unsure why but he thought part of the reason was to pivot to restructure and operate the Alaska Marine Highway System (AMHS) more as a business. He suggested that the work group acknowledged that MTAB required a different skillset.

[1:43:33 PM](#)

SENATOR SHOWER stated his intention to amend the bill to add legislative members to the Operating and Planning Board (OPB). He expressed frustration at missteps the AMHS previously made, including purchasing Alaska [fast ferries] that were later sold at a loss, partly because offramps were not appropriately designed. Currently, the legislature subsidizes a significant portion of the ferry system costs. He wondered if the new management structure would fail because the board lacked sufficient authority and the management structure did not include a chief executive officer. He expressed concern that the state continues to spend money on an unsustainable system. He recalled that the [Inter-Island Ferry serving Hollis and Ketchikan] consisted of 70 percent private funding and 30 percent state funding. He said that system uses a hub and spoke model with smaller vessels. He asked what actions OPB could take besides studying issues and compiling a report. He said it seems as though the Department of Transportation and Public Facilities (DOTPF) would still run the system, so he wasn't sure OPB would work.

MR. MILLS pointed out that Senator Shower mentioned the Alaska Class ferries; however, the fast ferries were the ones purchased and sold. He agreed this raises a fundamental question. OPB's effort was designed with board member expertise to inform its decisions rather than for AMHS's competent operational staff, busy with the day-to-day system operations, trying to squeeze in time to analyze meaningful changes to the system. He deferred to the deputy commissioner to speak to the board's authority.

[1:47:20 PM](#)

ROB CARPENTER, Deputy Commissioner of Surface Transportation, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, on behalf of the administration, acknowledged that the work group struggled to identify ways to accomplish meaningful changes, barring going to a corporate model, such as the ones used by the Alaska Permanent Fund Corporation or the Alaska Railroad Corporation. He envisioned that as Deputy Commissioner, he would serve as DOTPF's designee, acting as a liaison producing documents and providing direction to the

board. He compared that to an advisory board providing input but not integrating or working with the agency on its mission. He highlighted the benefits of keeping AMHS within the agency, including allowing the department to address the multi-modal aspects of Alaska's transportation system. If AMHS were a separate corporation, it would not have the advantage of conducting planning across all modes and all regions. He offered his belief that having DOTPF staff serve on the board was instrumental in giving the board power and authority. Second, besides the board members with marine experience, other members will bring business experience to the board. These members could propose business decisions to create efficiencies that could make AMHS more effective and able to achieve long-term sustainability. He hoped that OPB would have sufficient power and authority to be effective.

1:50:03 PM

SENATOR SHOWER highlighted that two ports are located in the Mat-Su district. Although he supports the ferry system, which is necessary because of Alaska's size, he was unsure what that system should ultimately resemble. He opined that AMHS was failing so another approach could achieve better results.

1:52:16 PM

SENATOR KIEHL agreed with Senator Shower that the board must effectively challenge and help the department. He pointed out the similarities between MTAB and the new OPB established by SB 103. SB 103 would set up OPB as an 11-member board. Just like MTAB, OPB members will serve at the governor's pleasure, be staffed by DOTPF and advise DOTPF's deputy commissioner. However, OPB ultimately will not make any decisions. While he appreciated the new board members' expertise, nothing currently prevents the governor from appointing people with expertise. He asked how the department could better integrate this group and deeply involve OPB in long-term planning. He asked if OPB would have a substantive role in the Statewide Transportation Improvement Program (STIP) process so the board could also consider things such as system maintenance. He was unsure if OPB could participate in the budget process. He suggested that someone other than the governor should appoint some members to better insulate them from turnover. He asked what could be done to involve the board in the department's actual work.

1:54:30 PM

MR. MILLS directed attention to the specific reporting requirements on page 4 of SB 103. These requirements would ensure that the board cannot omit crucial elements, such as

cost-saving or income-producing business or procurement practices. He related his understanding that given the work group's recommendations, the administration considers OPB as a starting point. The administration was willing to discussing ways this board could truly impact AMHS's operations and planning to change AMHS's trajectory. He emphasized that this was not a rehashing work group designed to maintain the status quo; rather, it was evident that OPB could improve the system for the coastal communities that AMHS serves.

1:56:24 PM

SENATOR MICCICHE said he agrees with the board composition and member expertise except for the members established in subparagraph (C), which read "two members, one of whom represents an Alaska native organization or tribe and one of whom represents a community served by the Alaska marine highway system;". Instead, this language should read "representatives of communities served by the AMHS, with one of those members representing an Alaska Native organization." He explained that the qualifications in subparagraphs (A) through (E) were system related, but the Alaska Native representative must also represent a coastal community served by AMHS.

He acknowledged that the board was viewed as a starting point but expressed concern about the lack of a superior work product. In his experience working in the private sector, to effectively solve problems, the private sector would outline tasks and establish deadlines for the board to meet. He suggested that the bill establish specific work product deadlines for OPB's serious consideration on a much more aggressive schedule. Since AMHS's problems require action now, AMHS could garner statewide support by highlighting that OPB recognizes it needs more effective ways to conduct business. It would aggressively pursue those changes to deliver outcomes in a reasonable amount of time.

1:59:30 PM

MR. CARPENTER highlighted that OPB needs to be in place as a sounding board, but it must also be an apolitical board driven by business-oriented members interested in making decisions using aggressive timelines. He said the new board must consider AMHS's current maintenance and recapitalization plans.

2:00:52 PM

CHAIR MYERS recalled the work group essentially recommended minimizing politics for the board. He suggested establishing longer board terms, such as five or eight years to avoid wholesale board turnover. Since board members would serve three-

year terms under SB 103, a governor could replace all board members during a single gubernatorial term.

MR. MILLS responded that he could not speak for Boards and Commissions, but he recalled that their staff suggested the standard three-year terms. However, the administration was willing to consider longer terms.

2:02:07 PM

CHAIR MYERS noted that SB 103 reduced updates to the long-term plan from five years to three years. However, placing updates too close together would change it from a planning process to a planning-to-plan process. Participants would not have time to think through and reflect on the updates. He suggested keeping the updates at five years.

MR. MILLS responded that five years was a long time for board service. He related his understanding that the impetus was that a short-term plan would apply pressure to the group to work on specific issues actively.

CHAIR MYERS was unsure that applying pressure to the board was as crucial as applying pressure to DOTPF.

2:04:10 PM

SENATOR BISHOP asked if the board would actively develop AMHS's budget.

MR. CARPENTER responded that he envisioned OPB would operate similarly to how the Alaska Mental Health Trust Authority (AMHTA) or the University of Alaska, Board of Regents operates. OPB would compile a one-year budget and make recommendations to the governor to provide the legislature with another perspective, which may help depoliticize the process. He recalled that any changes or deviations made to AMHTA's budget would require an explanation by the legislature or the governor. He said the planning process should include budget interaction, which is not yet in the bill.

SENATOR BISHOP asked if the board would actively develop AMHS's budget. He said it makes sense to base it on a five-year plan to coincide with the STIP funding.

2:07:14 PM

SENATOR KIEHL agreed with Senator Bishop. He recalled that the Board of Education serves at the governor's pleasure. The board is briefed on the governor's proposed budget and then it votes

to approve it. He suggested the bill would need a slight structural change to accomplish this.

2:08:16 PM

SENATOR SHOWER asked which agency or person has the authority to execute the board's recommendations.

MR. CARPENTER answered that under SB 103, OPB would submit its recommendations to DOTPF's commissioner, who would make the final decisions. He recommended that a DOTPF staff serve on the board as a liaison between the agency and the governor. He envisioned that person would work with the board to develop a consensus on issues and ways to accomplish them. This liaison could also provide information and guidance to the commissioner and the governor on the board's approach and rationale used to make board recommendations.

SENATOR SHOWER agreed that it is critical to involve DOTPF in the process; however, the commissioner will ultimately make decisions, which has happened for a long time. It might be time to consider a different model, but the commissioner could still have someone serve on the board to coordinate efforts.

[SB 103 was held in committee.]

SB 105-ROAD SERVICE AREA CONSOLIDATION

2:11:40 PM

CHAIR MYERS announced the consideration of SENATE BILL NO. 105 "An Act relating to road service area consolidation."

CHAIR MYERS stated that SB 105 was requested by the Fairbanks North Star Borough.

2:12:11 PM

MICHAELLA ANDERSON, Staff, Senator Robert Myers, Alaska State Legislature, Juneau, Alaska, on behalf of the sponsor, paraphrased the sponsor statement:

Senate Bill 105 provides second class boroughs with the ability to consolidate two or more road service areas (RSAs) if the boards representing those RSAs request consolidation and no new parcels are added to the single new service area.

A road service area is a taxing jurisdiction established at the request of the voters within a

geographical area to provide certain services within their specific area. Voters establish their boundaries, the maximum mill levy imposed on real property for the purpose of road maintenance services, and a board that determines the level of road maintenance services and directs contractors to perform these services. Members of the board are nominated by the mayor and confirmed by the borough assembly.

Beginning in 1972, and in the years that followed, RSAs benefited from state shared revenues (SSR) for local road construction and improvements. SSR reductions through the 1990s prompted RSAs to hold elections to establish tax revenue caps to supplement the reduced state funding for local roads. Existing RSAs also resisted annexations of new parcels and roads to their service areas leading to the formation of new RSAs. Of the five second class boroughs in the State of Alaska that have RSAs (Fairbanks, Mat-Su, Kenai, Kodiak and Ketchikan), the Fairbanks North Star Borough has, by far, the most RSAs at 103. The next largest borough by RSAs is the Mat-Su Borough with 16.

2:13:01 PM

MS. ANDERSON said municipalities currently do not receive any state-shared revenues for road service areas (RSAs). She explained that SB 105 would address an issue facing the vast majority of RSAs in the Fairbanks North Star Borough (FNSB) by adding a new exception to allow timely consolidation of two or more RSAs without a vote by their residents. Instead, it would enable the affected RSA boards to agree to the changes as long as no new parcels were added or removed.

MS. ANDERSON continued to paraphrase the sponsor statement:

While greater efficiencies and lower costs in maintaining local roads could be achieved through consolidating some RSAs, borough assemblies do not have the power to adjust service area boundaries without voter approval. Separate elections are required for each of the RSAs subject to consolidation, and these elections typically fail to turn-out voters. Consolidation efforts led by RSAs themselves, as proposed under SB 105, would lead to greater efficiency and reduced costs through economies

of scale and less contract administration by borough administrators.

MS. ANDERSON said this bill does not allow FNSB's mayor or assembly to consolidate RSAs without RSA boards requesting consolidation.

[2:14:27 PM](#)

MICHAEL BREDLIE, Rural Services Manager, Fairbanks North Star Borough, Fairbanks, Alaska, spoke in favor of SB 105. His division manages the road service areas (RSAs) throughout the Fairbanks North Star Borough (FNSB). As a second-class borough, FNSB receives its road construction and maintenance powers through service areas. Currently, FNSB's 103 RSAs maintain a total of 498 road miles.

He provided a brief history of RSAs in the borough. The borough's first RSA was established in 1965 and a second one was added in 1969. Between 1973 and 1979, 20 RSAs were established. All but two of the 67 RSAs were established between 1981 and 1986. In the 1990s, 13 RSAs were established, with the final one formed in 2002.

This liaison could also provide information and guidance to the commissioner and the governor on the board's approach and rationale used to make board recommendations. During the mid-1970s, the RSAs received \$2,500 per mile for maintenance and operations (M&O). This became the majority, if not the entire revenue obtained by the service areas. By the 1990s, the M&O was reduced to \$1,400 per mile, declining until 2003 or 2004, when state revenue sharing ended. At the time, the reduction in state revenue sharing prompted many RSAs to hold elections to establish revenue tax caps to supplement and replace their state revenue-sharing funds. From 1991 to 1997, 74 RSAs instituted revenue tax caps.

MR. BREDLIE related his understanding that RSA commissions resisted annexing new parcels and roads to their service areas. In response, the administration decided to form new service areas. He said this increase in RSAs appears to correspond with state shared revenue that FNSB received from 1972 to 2004.

He offered his belief that no other borough in the state has this issue. Alaska has five second-class boroughs with road service area powers. FNSB has 103 RSAs, the Mat-Su Borough (MSB) has 16, Ketchikan Gateway Borough (KGB) has 10, Kodiak Island

Borough (KIB) has four and the Kenai Peninsula Borough (KPB) has one large RSA split into five regions.

MR. BREDLIE explained that FNBS's RSA consolidation process was difficult. First, elections are required to consolidate two or more RSAs if the voters reside within the existing service areas. Next, the borough must hold open house meetings, the assembly must approve the election ordinance to authorize the RSA elections for residents in the service areas. Finally, holding an election to consolidate each service area is costly, he said. Currently, FNSB has 13 contractors who perform maintenance in its 103 RSAs. Some contractors maintain one RSA and others maintain from 10 to 20 service areas.

[2:18:40 PM](#)

MR. BREDLIE explained that consolidating service areas would provide greater efficiencies and better prices for contractors, which could result in less contract administration. In terms of staff, consolidating RSAs could reduce contract administration costs and increase staff's presence to assess road conditions in RSAs. Concerning RSA commissions, consolidating RSAs would reduce the number of seats. He said that 266 of the 426 RSA commissioner seats are filled, which is a 38-percent vacancy rate.

[2:19:34 PM](#)

CHAIR MYERS asked how much money FNSB would save by consolidating RSAs.

MR. BREDLIE responded that he was unsure, but FNSB would save contractor and administrative costs.

[2:20:12 PM](#)

SENATOR MICCICHE asked what problems FNSB encountered by adding RSA consolidations to the ballot for municipal elections.

MR. BREDLIE answered that each RSA election would be held outside the municipal election because voters are located in different areas and separate taxing jurisdictions. He stated that FNSB's Clerk's Office incurs substantial time and costs to administer elections given the large number of RSAs.

[2:21:34 PM](#)

SENATOR SHOWER recalled that a similar bill was previously introduced. He asked whether FNSB asked its residents whether they wanted to consolidate RSAs.

MR. BREDLIE answered no. He acknowledged that former Senator Coghill introduced a bill during the last legislature, but it did not pass.

SENATOR SHOWER asked whether the purpose of SB 105 was to provide FNSB with a method to consolidate its RSAs without obtaining sufficient support from residents.

MR. BREDLIE responded that SB 105 would give the borough an additional tool to join two or more service areas without an election when the road commissions agree. He remarked that FNSB would still reach out to residents; that the process still requires approval by RSA commissions and the assembly.

[2:24:36 PM](#)

SENATOR SHOWER asked who currently appoints the commissioners and whether this process would give the mayor additional authority.

MR. BREDLIE responded that the mayor appoints commissioners and the assembly confirms them.

SENATOR SHOWER said it seems as though this process will give the mayor additional power.

[2:25:28 PM](#)

SENATOR BISHOP asked whether FNSB's Assembly supports SB 105.

MR. BREDLIE responded that the request for SB 105 was initiated by FNSB's legislative committee, which is comprised of assembly members, the mayor, and legal representatives. He surmised that assembly members support SB 105 since the assembly passed a resolution.

SENATOR BISHOP asked for a copy of the resolution.

MR. BREDLIE agreed to provide it.

[2:26:32 PM](#)

SENATOR MICCICHE stated that RSA members are elected in the Kenai Peninsula Borough (KPB). KPB regularly experiences problems with vacancies. He surmised that people would prefer to have elected officials make the final decisions although he agreed that would consolidate some power. He offered to consult with KPB on whether it supports the concept.

[2:27:42 PM](#)

CHAIR MYERS asked if FNSB passed an ordinance earlier this year for all road commissioner terms to expire in June 2021.

MR. BREDLIE responded that in 2019, an ordinance changed the commissioner's terms from two to three years to allow for staggered terms. In the meantime, FNSB will send out applications to all commissioners and draw to decide which ones are one, two or three year terms, he said.

CHAIR MYERS offered his view that the mayor would appoint every commissioner if this bill were to pass. Given that the mayor would like to consolidate RSAs, the mayor could impose a litmus test for applicants.

MR. BREDLIE explained that half of the commissions expire each year. He related that prefilled applications are sent to all commissioners by April. Once the applications are signed, the applications are forwarded to the mayor and to the assembly. He said he did not envision this process changing, but the terms will be staggered.

[2:31:00 PM](#)

JILL DOLAN, Attorney, Fairbanks North Star Borough, Fairbanks, Alaska, in response to whether SB 105 would ultimately give more power to the mayor, said any boundary change must be made by ordinance. Although this bill would require that service area boards make recommendations and request to consolidate RSAs, the elected officials will make the ultimate decision.

[2:31:51 PM](#)

MS. DOLAN explained that FNSB cannot run elections for service areas with the regular municipal election because the precinct boundaries do not align with the service area boundaries. The borough must determine voter eligibility for each service area. She explained that consolidated RSAs requires elections be held in each service areas being combined, which means that ballots are separately accounted for in each RSA election.

[2:32:25 PM](#)

SENATOR SHOWER said the 2020 election included local, state, federal elections in Alaska. Thus, voters were handed multiple ballots. He was unsure why the RSA elections could not be given on the same day as municipal elections.

MS. DOLAN responded that municipal and state election districts share the same precinct boundaries. She said FNSB's Clerk's Office runs the elections. Voters must first request their

ballots for service area elections in person. The clerk must determine in which RSA area the person resides since the ballots for each service area must be counted separately. The municipal clerk advised that RSA elections should not be held at concurrent with municipal elections, she said.

[2:34:37 PM](#)

SENATOR MICCICHE asked how many households comprise the largest service area.

MR. BREDLIE answered that the College RSA maintains about 20 miles of road serving over 1,000 households.

[SB 105 was held in committee.]

[2:36:00 PM](#)

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:36 p.m.